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CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED
中國資源交通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

**1. VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE DISPOSAL OF 71% EQUITY INTERESTS
OF THE TARGET COMPANY;
2. VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE UNDERTAKING OF THE BUY-BACK OBLIGATION;
AND
3. RESUMPTION OF TRADING**

THE DISPOSAL

On 28 December 2016 and 30 December 2016, the Vendor, the Purchasers and the Company entered into the Disposal Agreements, pursuant to which the Vendor has conditionally agreed to sell, and (i) Purchaser A has conditionally agreed to acquire Sale Equity A at Consideration A of RMB1,125 million (equivalent to HKD1,260 million) (subject to the Adjustment) and (ii) Purchaser B, Purchaser C and Purchaser D have conditionally agreed to acquire Sale Equity B, Sale Equity C and Sale Equity D, at Consideration B, Consideration C and Consideration D, respectively, which is to be determined based on the valuation report of the Target Company to be prepared by Independent Valuer B.

GUARANTEED RETURN TO THE PURCHASERS

Pursuant to the Disposal Agreements, each Purchaser will be entitled to a guaranteed return of 4.5% per annum of the actual consideration paid by that particular Purchaser, till the fifth anniversary of the Completion Date or the date when the Vendor fulfilling the Buy-back Obligation or exercising the respective buy-back option, whichever is earlier.

BUY-BACK OBLIGATION OF THE VENDOR

Pursuant to Disposal Agreement A, the Vendor agreed to buy back all Sale Equity A transferred to Purchaser A within five (5) years after the Completion from Purchaser A, at a consideration same as the actual Consideration A paid by Purchaser A. A formal buy-back agreement will be entered into at the time when the Vendor fulfilling the Buy-back Obligation to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction.

BUY-BACK OPTIONS OF THE VENDOR

Pursuant to Disposal Agreement B, Disposal Agreement C and Disposal Agreement D, the Vendor has the option to buy back all Sale Equity B, Sale Equity C and Sale Equity D within five (5) years after the Completion from Purchaser B, Purchaser C and Purchaser D, respectively, at a consideration same as the actual Consideration B, Consideration C and Consideration D paid by Purchaser B, Purchaser C and Purchaser D, respectively. A formal buy-back agreement will be entered into to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction when the Vendor serves its formal notice in writing of its intention to exercise the buy-back option to Purchaser B, Purchaser C and Purchaser D, respectively.

LISTING RULES IMPLICATIONS ON THE DISPOSAL

As one of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. No Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal.

As one of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the undertaking of the Buy-back Obligation is more than 100%, the undertaking of the Buy-back Obligation will constitute a very substantial acquisition for the Company under the Listing Rules. Accordingly, the undertaking of the Buy-back Obligation is subject to, among other things, the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. No Shareholder will be required to abstain from voting at the EGM in respect of the resolution(s) to approve the undertaking of the Buy-back Obligation.

GENERAL

A circular containing, among other things, (i) further information on the Disposal and the transactions contemplated under the Disposal Agreements; (ii) other information as required under the Listing Rules; and (iii) the notice of EGM, is expected to be despatched to the Shareholders on or before 31 March 2017, awaiting release of the valuation reports on the Target Company.

Completion of the Disposal is subject to fulfilment of the conditions precedent disclosed in this announcement and therefore may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares of the Company was halted with effect from 9:00 a.m. on 29 December 2016 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 10 January 2017.

INTRODUCTION

On 28 December 2016 and 30 December 2016, the Vendor, the Purchasers and the Company entered into the Disposal Agreements, pursuant to which the Vendor has conditionally agreed to sell, and (i) Purchaser A has conditionally agreed to acquire Sale Equity A at Consideration A of RMB1,125 million (equivalent to HKD1,260 million) (subject to the Adjustment) and (ii) Purchaser B, Purchaser C and Purchaser D have conditionally agreed to acquire Sale Equity B, Sale Equity C and Sale Equity D, at Consideration B, Consideration C and Consideration D, respectively, which is to be determined based on the valuation report of the Target Company to be prepared by Independent Valuer B.

DISPOSAL AGREEMENT A

Principal terms of Disposal Agreement A are as follows:

Date

28 December 2016

Parties

Vendor: Cheer Luck Technology Limited, a wholly-owned subsidiary of the Company

Purchaser A: 內蒙古源恒投資有限公司 (Inner Mongolia Yuanheng Investment Co. Ltd.*)

Vendor's guarantor: The Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) Purchaser A is a state-owned enterprise incorporated in the PRC with limited liability and is principally engaged in land and water resources development, investment and construction of infrastructures, and land management; and (ii) Purchaser A and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to Disposal Agreement A, the Vendor agreed to sell Sale Equity A (being 25% of the equity interests of the Target Company beneficially owned by the Vendor) to Purchaser A.

Consideration and payment

Consideration A of RMB1,125 million (equivalent to HKD1,260 million), which is subject to the Adjustment, will be satisfied in cash by Purchaser A to the Vendor in the following manners:

- (i) a deposit of RMB50 million shall be paid by Purchaser A to the Vendor within five business days after (a) the issue of valuation report on the Target Company to be prepared by Independent Valuer A; and (b) approval of the SASAC; and

- (ii) the balance of Consideration A, subject to the entering into of a supplemental agreement to fix the detailed payment information and schedule, shall be paid by Purchaser A to the Vendor in cash upon Completion. Such supplemental agreement is expected to be entered into by the end of March 2017.

Consideration A was determined after arm's length negotiation between the Vendor and Purchaser A with reference to historical investment cost of the Target Company.

The Directors consider that the terms and conditions of Disposal Agreement A are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Adjustment to the consideration

Pursuant to Disposal Agreement A, adjustment will be made to Consideration A based on the valuation report prepared by Independent Valuer A on the Target Company. The actual Consideration A will equal to 25% of the net asset value of the Target Company as at 31 December 2016 as assessed in such valuation report. The Adjustment represents the difference between Consideration A of RMB1,125 million and the actual Consideration A to be paid by Purchaser A pursuant to the valuation report.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied:

- (i) the compliance of Listing Rules by the Company (including but not limited to the passing of resolution(s) by the independent Shareholders at the EGM approving the Disposal); and
- (ii) all necessary consents and approvals, including without limitation such consents (if appropriate or required) of the Stock Exchange pursuant to the Listing Rules, as required by the parties to enter into and implement the Disposal having been obtained.

Guaranteed return to the Purchaser

Pursuant to Disposal Agreement A, Purchaser A will be entitled to a guaranteed return of 4.5% per annum of the actual Consideration A paid by Purchaser A, till the fifth anniversary of the Completion Date or the date when the Vendor fulfilling the Buy-back Obligation, whichever is earlier.

Buy-back Obligation of the Vendor

Pursuant to Disposal Agreement A, the Vendor agreed to buy back all Sale Equity A transferred to Purchaser A within five (5) years after the Completion from Purchaser A, at a consideration same as the actual Consideration A paid by Purchaser A. A formal buy-back agreement will be entered into at the time when the Vendor fulfilling the Buy-back obligation to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction.

As the Vendor's guarantor, the Company will take the Buy-back Obligation unconditionally in the event the Vendor defaults on the Buy-back Obligation. Supplemental announcement(s) with information as required under the Listing Rules will be published by Company when the formal buy-back agreement has been entered into between the Vendor and Purchaser A. The undertaking of the Buy-back Obligation is subject to, among other things, the approval of the independent Shareholders at the EGM.

The consideration to be paid under the Buy-back Obligation, being the same amount as the Actual Consideration A paid by Purchaser A, was arrived after arm's length negotiation between the Vendor and Purchaser A, taking into account of (i) the guaranteed return to be paid by the Vendor to Purchaser A; (ii) the passive obligation of the Vendor to buy back all Sale Equity A; and (iii) the business prospects of the Target Company.

Completion

Completion shall take place on the Completion Date following all the registration of Purchaser A as a shareholder of the Target Company at the SAIC.

Following the Completion, Purchaser A will appoint a director and a supervisor to the board of the Target Company pursuant to Disposal Agreement A.

DISPOSAL AGREEMENT B

Principal terms of Disposal Agreement B are as follows:

Date

30 December 2016

Parties

Vendor: Cheer Luck Technology Limited, a wholly-owned subsidiary of the Company

Purchaser B: 呼和浩特經濟技術開發區投資開發集團有限責任公司 (Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) Purchaser B is a state-owned enterprise incorporated in the PRC with limited liability and its operating activities include infrastructure engineering, municipal engineering, ecological construction and transportation; and (ii) Purchaser B and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to Disposal Agreement B, the Vendor agreed to sell Sale Equity B (being 18% of the equity interests of the Target Company beneficially owned by the Vendor) to Purchaser B.

Consideration and payment

Pursuant to Disposal Agreement B, Consideration B will be determined based on the valuation report of the Target Company to be prepared by Independent Valuer B. The actual Consideration B will equal to 18% of the net asset value of the Target Company as at 31 December 2016 as assessed in such valuation report and will be satisfied in cash by Purchaser B to the Vendor in the following manners:

- (i) 20% of Consideration B shall be paid by Purchaser B to the Vendor within five business days after (a) the issue of valuation report on the Target Company to be prepared by Independent Valuer B; and (b) approval of the SASAC;

- (ii) 60% of Consideration B shall be paid by Purchaser B to the Vendor within six months following all the registration of Purchaser B as a shareholder of the Target Company at the SAIC; and
- (iii) the remaining 20% of Consideration B shall be paid by Purchaser B to the Vendor in cash upon Completion.

Consideration B was determined after arm's length negotiation between the Vendor and Purchaser B with reference to net asset value of the Target Company as at 31 December 2016.

The Directors consider that the terms and conditions of Disposal Agreement B are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied:

- (i) the compliance of Listing Rules by the Company (including but not limited to the passing of resolution(s) by the independent Shareholders at the EGM approving the Disposal);
- (ii) all necessary consents and approvals, including without limitation such consents (if appropriate or required) of the Stock Exchange pursuant to the Listing Rules, as required by the parties to enter into and implement the Disposal having been obtained;
- (iii) the government to extend the Target Company's exclusive operation right in Zhunxing Expressway from 30 years to 35 years within 8 months following the entering into of Disposal Agreement B; and
- (iv) the current interest rate of the Target Company's existing syndicated loan to be lowered by 10% within 8 months following the entering into of Disposal Agreement B.

Guaranteed return to the Purchaser

Pursuant to Disposal Agreement B, Purchaser B will be entitled to a guaranteed return of 4.5% per annum of the actual Consideration B paid by Purchaser B, till the fifth anniversary of the Completion Date or the date when the Vendor repurchases Sale Equity B, whichever is earlier.

Buy-back option of the Vendor

Pursuant to Disposal Agreement B, the Vendor has the option to buy back all Sale Equity B transferred to Purchaser B within five (5) years after the Completion from Purchaser B, at a consideration same as the actual Consideration B paid by Purchaser B. A formal buy-back agreement will be entered into to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction when the Vendor serves its formal notice in writing of its intention to exercise the buy-back option to Purchaser B. In the event the Company exercises the buy-back option, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules by computing the applicable percentage ratios (as defined under the Listing Rules) at the time of exercise and, depending on the classification thereof, may subject to the reporting, announcement and independent shareholders' approval requirements.

Supplemental announcement(s) with information as required under the Listing Rules will be published by the Company when the Vendor enters into the relevant agreement.

Completion

Completion shall take place on the Completion Date following all the registration of Purchaser B as a shareholder of the Target Company at the SAIC.

Following the Completion, Purchaser B, Purchaser C and Purchaser D will jointly appoint one director and one supervisor to the board of the Target Company.

DISPOSAL AGREEMENT C

Principal terms of Disposal Agreement C are as follows:

Date

30 December 2016

Parties

Vendor: Cheer Luck Technology Limited, a wholly-owned subsidiary of the Company

Purchaser C: 呼 和 浩 特 惠 則 恒 投 資 有 限 責 任 公 司 (Hohhot Huizeheng Investment Co. Ltd.*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) Purchaser C is a state-owned enterprise incorporated in the PRC with limited liability and its operating activities include infrastructure engineering, municipal engineering, ecological construction and transportation; and (ii) Purchaser C and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to Disposal Agreement C, the Vendor agreed to sell Sale Equity C (being 18% of the equity interests of the Target Company beneficially owned by the Vendor) to Purchaser C.

Consideration and payment

Pursuant to Disposal Agreement C, Consideration C will be determined based on the valuation report of the Target Company to be prepared by Independent Valuer B. The actual Consideration C will equal to 18% of the net asset value of the Target Company as at 31 December 2016 as assessed in such valuation report and will be satisfied in cash by Purchaser C to the Vendor in the following manners:

- (i) 20% of Consideration C shall be paid by Purchaser C to the Vendor within five business days after (a) the issue of valuation report on the Target Company to be prepared by Independent Valuer B; and (b) approval of the SASAC;
- (ii) 60% of Consideration C shall be paid by Purchaser C to the Vendor within six months following all the registration of Purchaser C as a shareholder of the Target Company at the SAIC; and
- (iii) the remaining 20% of Consideration C shall be paid by Purchaser C to the Vendor in cash upon Completion.

Consideration C was determined after arm's length negotiation between the Vendor and Purchaser C with reference to net asset value of the Target Company as at 31 December 2016.

The Directors consider that the terms and conditions of Disposal Agreement C are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied:

- (i) the compliance of Listing Rules by the Company (including but not limited to the passing of resolution(s) by the independent Shareholders at the EGM approving the Disposal);
- (ii) all necessary consents and approvals, including without limitation such consents (if appropriate or required) of the Stock Exchange pursuant to the Listing Rules, as required by the parties to enter into and implement the Disposal having been obtained;
- (iii) the government to extend the Target Company's exclusive operation right in Zhunxing Expressway from 30 years to 35 years within 8 months following the entering into of Disposal Agreement C; and
- (iv) the current interest rate of the Target Company's existing syndicated loan to be lowered by 10% within 8 months following the entering into of Disposal Agreement C.

Guaranteed return to the Purchaser

Pursuant to Disposal Agreement C, Purchaser C will be entitled to a guaranteed return of 4.5% per annum of the actual Consideration C paid by Purchaser C, till the fifth anniversary of the Completion Date or the date when the Vendor repurchases Sale Equity C, whichever is earlier.

Buy-back option of the Vendor

Pursuant to Disposal Agreement C, the Vendor has the option to buy back all Sale Equity C transferred to Purchaser C within five (5) years after the Completion from Purchaser C, at a consideration same as the actual Consideration C paid by Purchaser C. A formal buy-back agreement will be entered into to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction when the Vendor serves its formal notice in writing of its intention to exercise the buy-back option to Purchase C. In the event the Company exercises the buy-back option, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules by computing the applicable percentage ratios (as defined under the Listing Rules) at the time of exercise and, depending on the classification thereof, may subject to the reporting, announcement and independent shareholders' approval requirements.

Supplemental announcement(s) with information as required under the Listing Rules will be published by the Company when the Vendor enters into the relevant agreement.

Completion

Completion shall take place on the Completion Date following all the registration of Purchaser C as a shareholder of the Target Company at the SAIC.

Following the Completion, Purchaser B, Purchaser C and Purchaser D will jointly appoint one director and one supervisor to the board of the Target Company.

DISPOSAL AGREEMENT D

Principal terms of Disposal Agreement D are as follows:

Date

30 December 2016

Parties

Vendor: Cheer Luck Technology Limited, a wholly-owned subsidiary of the Company

Purchaser D: 德源興盛實業有限公司 (Deyuan Xingsheng Industrial Co. Ltd.*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) Purchaser D is a state-owned enterprise incorporated in the PRC with limited liability and its operating activities include infrastructure engineering, municipal engineering, ecological construction and transportation; and (ii) Purchaser D and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to Disposal Agreement D, the Vendor agreed to sell Sale Equity D (being 10% of the equity interests of the Target Company beneficially owned by the Vendor) to Purchaser D.

Consideration and payment

Pursuant to Disposal Agreement D, Consideration D will be determined based on the valuation report of the Target Company to be prepared by Independent Valuer B. The actual Consideration D will equal to 10% of the net asset value of the Target Company as at 31 December 2016 as assessed in such valuation report and will be satisfied in cash by Purchaser D to the Vendor in the following manners:

- (i) 20% of Consideration D shall be paid by Purchaser D to the Vendor within five business days after (a) the issue of valuation report on the Target Company to be prepared by Independent Valuer B; and (b) approval of the SASAC;
- (ii) 60% of Consideration D shall be paid by Purchaser D to the Vendor within six months following all the registration of Purchaser D as a shareholder of the Target Company at the SAIC; and
- (iii) the remaining 20% of Consideration D shall be paid by Purchaser D to the Vendor in cash upon Completion.

Consideration D was determined after arm's length negotiation between the Vendor and Purchaser D with reference to the net asset value of the Target Company as at 31 December 2016.

The Directors consider that the terms and conditions of Disposal Agreement D are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied:

- (i) the compliance of Listing Rules by the Company (including but not limited to the passing of resolution(s) by the independent Shareholders at the EGM approving the Disposal);
- (ii) all necessary consents and approvals, including without limitation such consents (if appropriate or required) of the Stock Exchange pursuant to the Listing Rules, as required by the parties to enter into and implement the Disposal having been obtained;
- (iii) the government to extend the Target Company's exclusive operation right in Zhunxing Expressway from 30 years to 35 years within 8 months following the entering into of Disposal Agreement D; and
- (iv) the current interest rate of the Target Company's existing syndicated loan to be lowered by 10% within 8 months following the entering into of Disposal Agreement D.

Guaranteed return to the Purchaser

Pursuant to Disposal Agreement D, Purchaser D will be entitled to a guaranteed return of 4.5% per annum of the actual Consideration D paid by Purchaser D, till the fifth anniversary of the Completion Date or the date when the Vendor repurchases Sale Equity D, whichever is earlier.

Buy-back option of the Vendor

Pursuant to Disposal Agreement D, the Vendor has the option to buy back all Sale Equity D transferred to Purchaser D within five (5) years after the Completion from Purchaser D, at a consideration same as the actual Consideration D paid by Purchaser D. A formal buy-back agreement will be entered into to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction which the Vendor serves its formal notice in writing of its intention to exercise the buy-back option to Purchase D. In the event the Company exercises the buy-back option, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules by computing the applicable percentage ratios (as defined under the Listing Rules) at the time of exercise and, depending on the classification thereof, may subject to the reporting, announcement and independent shareholders' approval requirements.

Supplemental announcement(s) with information as required under the Listing Rules will be published by the Company when the Vendor enters into the relevant agreement.

Completion

Completion shall take place on the Completion Date following all the registration of Purchaser D as a shareholder of the Target Company at the SAIC.

Following the Completion, Purchaser B, Purchaser C and Purchaser D will jointly appoint one director and one supervisor to the board of the Target Company.

INFORMATION ON THE PURCHASERS

Purchaser A is a state-owned enterprise incorporated in the PRC with limited liability and is principally engaged in land and water resources development, investment and construction of infrastructures, and land management.

Purchaser B is a state-owned enterprise incorporated in the PRC with limited liability. Its operating activities include infrastructure engineering, municipal engineering, ecological construction, energy, finance, tourism, transportation, agriculture, forestry, animal, water industry, and electronic communications investment and advisory services. Furthermore, Purchaser B also has its own house leasing and conference and exhibition services.

Purchaser C is a state-owned enterprise incorporated in the PRC with limited liability. Its operating activities include infrastructure engineering, municipal engineering, ecological construction, energy, finance, tourism, transportation, agriculture, forestry, animal, water industry, and electronic communications investment and advisory services. Furthermore, Purchaser C also has its own house leasing and conference and exhibition services.

Purchaser D is a state-owned enterprise incorporated in the PRC with limited liability. Its operating activities include infrastructure engineering, municipal engineering, ecological construction, energy, finance, tourism, transportation, agriculture, forestry, animal, water industry, and electronic communications investment and advisory services. Furthermore, Purchaser D also has its own house leasing and conference and exhibition services.

INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in the PRC with limited liability. As at the date of this announcement, the Company, through its wholly owned subsidiaries, is interested in 86.87% of the total issued share capital of the Target Company. The primary assets of the Target Company is an exclusive right to operate and collect tolls from vehicles using its 265-kilometre heavy-haul toll expressway located in the Inner Mongolia for a term of 30 years. The exclusive right will expire on 20 November 2043, and the Target Company is currently in discussions with relevant government authorities in the PRC, seeking an extension for 5 more years in the exclusive right. A formal extension application will be submitted to the People's Government of Ulanqab and the Company expects to obtain the final approval by the end of March 2017.

Financial information of the Target Group

Set out below is the financial information of the Target Group as extracted from its unaudited consolidated management accounts for the two years ended 31 March 2015 and 31 March 2016:

	For the year ended 31 March 2015	For the year ended 31 March 2016
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Turnover	905,789	518,897
Net loss before taxation	(868,969)	(3,042,983)
Net loss after taxation	(868,969)	(3,042,984)

As at 30 September 2016, the unaudited net asset value of the Target Group was approximately HKD2,737 million. The unaudited total assets of the Target Group were approximately HKD16,566 million as at 30 September 2016.

A valuation report on the Target Company will be prepared by Independent Valuer A to determine the actual Consideration A to be paid by Purchaser A, and Independent Valuer B will prepare another valuation report to determine the actual consideration to be paid by each of Purchaser B, Purchaser C and Purchaser D, respectively, based on the net asset value of the Target Company as at 31 December 2016. The Company expects to obtain the valuation reports by the end of March 2017.

The Company is in the process of preparing the consolidated management accounts of the Target Group as at 31 December 2016 to identify the said net asset value.

The net asset value of the Target Company as at 31 December 2016 as assessed by each of the Company, Independent Valuer A and Independent Valuer B will be disclosed in the circular to be despatched to the Shareholders.

INFORMATION OF THE GROUP

The Group is principally engaged in expressway operations, trading and storage of petroleum and related products, compressed natural gas station operations and timber operations. During the year, the Company's turnover was partly contributed by toll income from the Zhunxing Expressway operated by the Target Company which is indirectly held as to 86.87% by the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal Agreements are not inter-conditional with each other, each of the Disposal Agreement and the transactions contemplated thereunder shall be viewed and completed separately. The Disposal will generate funds for the Group and the entire proceeds from the Disposal will be used to repay partially the principal amount of the outstanding bonds. As disclosed in the Company's announcement dated 26 February 2016, some of the outstanding bonds of the Company became mature and the Company was unable to fulfill the cash requirement. Since then, the Company has been liaising with the bond holders and considering means to re-sculpt the debt payment profile. As at the date of this announcement, the bonds in the principal amount of HKD4,032 million remained outstanding. The expected total proceeds from the Disposal would be less than HKD4,032 million and therefore the entire proceeds from the Disposal will be used to repay the outstanding bonds. In the event that the net proceeds from the Disposal exceed HKD4,032 million, the surplus, if any, will be used as general working capital of the Group. The Company will continue to explore different avenues (including but not limited to disposal of remaining interests in the Target Company) to generate sufficient funds to fully repay the outstanding bonds.

Set out below is the detailed information of the Company's outstanding bonds in the principal amount of HKD4,032 million as at the date of this announcement:

Bond holders	Outstanding Principal HKD' million	Maturity Dates
Li Ka Shing (Canada) Foundation	464	3 March 2016
Li Ka Shing (Canada) Foundation	465	3 September 2016
Lo Ka Shui	36	3 March 2016
Lo Ka Shui	35	3 September 2016
China Life Insurance (Overseas) Company Limited	800	10 February 2016
China Life Insurance (Overseas) Company Limited	700	24 January 2017
Cross-Strait Capital Limited	32	10 February 2016
Strait CRTG Fund, LP	700	24 January 2017
Strait Capital Service Limited	800	24 January 2017
Total outstanding principal as at the date of this announcement	<u>4,032</u>	

Upon completion of the Disposal, in addition to the operation of Zhungxing Expressway, the Group will focus on the development of the three business sectors under the petroleum business segment, namely (i) the traditional energy business sector based on refined petroleum trading; (ii) the clean energy business sector based on contemporary coal chemicals; and (iii) the new energy business sector based on compressed natural gas.

As mentioned above, the Company has been liaising with the bond holders since February 2016, the Board believes that the Disposal will help to reduce the indebtedness level of the Group and help the management to re-focus on strategy formulation, resources allocation and operation management to enhance the performances of the Group.

The Board will also continue to look out for opportunities to make investments in any new business when suitable opportunities arise in the future. The Directors is currently considering and exploring various opportunities for different investment projects to diversify the business of the Group and open up new income source. As at the date of this announcement, no formal agreement has been entered into by the Company in relation to such potential investment opportunities. Further announcement(s) will be made by the Company as and when appropriate.

Meanwhile, following the improvements on the macro economy and coal market, the Directors are of the view that the traffic volume and toll income of Zhunxing Expressway will gradually recover, bringing a turnaround to profit in the long run. As a result, the undertaking of the Buy-back Obligation would enable the Group to enjoy the long-run profitability of Zhunxing Expressway while the entering into of the buy-back options would provide the Group the option, but not obligation, to acquire an additional 46% of the equity interests in the Target Company, at its sole discretion, as and when appropriate.

FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Target Company has in total five directors, out of which four of the directors are appointed by the Company. Upon completion of the Disposal, the composition of the board of the Target Company will be restructured, two more directors will be appointed. One new director will be appointed by Purchaser A and another new director will be jointly appointed by Purchaser B, Purchaser C and Purchaser D pursuant to the Disposal Agreement and the Company is authorised to appoint four directors out of the total seven directors of the Target Company. In accordance with the articles of association of the Target Company, the decisions of relevant activities of the Target Company require more than 50% approval from the board of the Target Company. As such, upon completion of the Disposal, the Company will continue to exercise control over the Target Company in accordance with HKFRS 10 “Consolidated Financial Statements”, and the results of the Target Group will continue to be consolidated into the consolidated financial statements of the Group. The auditor of the Company concurs with the view of Directors.

The parties to the Disposal Agreements have no intention to amend the proposed board structure of the Target Company prior to the Company’s fulfillment of the Buy-back Obligation and exercising of the buy-back options.

It is expected that the Disposal will not have a material impact on the consolidated statement of profit or loss and other comprehensive income and statement of financial position of the Group except for cash and cash equivalents, other liabilities, non-controlling interest, borrowings, accumulated losses and finance cost.

LISTING RULES IMPLICATIONS OF THE DISPOSAL

As one of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules. No Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal contemplated under the Disposal Agreements.

As one of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the undertaking of the Buy-back Obligation is more than 100%, the undertaking of the Buy-back Obligation will constitute a very substantial acquisition for the Company under the Listing Rules. Accordingly, the undertaking of the Buy-back Obligation is subject to, among other things, the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. No Shareholder will be required to abstain from voting at the EGM in respect of the resolution(s) to approve the undertaking of the Buy-back Obligation.

GENERAL

A circular containing, among other things, (i) further information on the Disposal and the transactions contemplated under the Disposal Agreement; (ii) other information as required under the Listing Rules; and (iii) the notice of EGM, is expected to be despatched to the Shareholders on or before 31 March 2017, awaiting release of the valuation reports on the Target Company.

Completion of the Disposal is subject to fulfilment of the conditions precedent disclosed in this announcement and therefore may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was halted with effect from 9:00 a.m. on 29 December 2016 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 10 January 2017.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Adjustment”	adjustment to be made to Consideration A after the valuation performed by Independent Valuer A on the Target Company
“Board”	the board of Directors

“Business Day(s)”	a day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“Buy-back Obligation”	the Vendor agreed to buy-back Sale Equity A from Purchaser A within five (5) years after Completion pursuant to Disposal Agreement A
“Company”	China Resources and Transportation Group Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on main board of the Stock Exchange (Stock Code: 269)
“Completion”	completion of the Purchaser’s registration as a shareholder of the Target Company
“Completion Date”	the date on which Completion is to take place in accordance with terms and conditions of each respective Disposal Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration A”	the aggregate consideration payable by Purchaser A to the Vendor for Sale Equity A under Disposal Agreement A, which is subject to the Adjustment
“Consideration B”	the aggregate consideration payable by Purchaser B to the Vendor for Sale Equity B under Disposal Agreement B
“Consideration C”	the aggregate consideration payable by Purchaser C to the Vendor for Sale Equity C under Disposal Agreement C
“Consideration D”	the aggregate consideration payable by Purchaser D to the Vendor for Sale Equity D under Disposal Agreement D
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of 71% of the equity interests in the Target Company by the Vendor to the Purchasers, on and subject to the terms and conditions of the Disposal Agreements
“Disposal Agreement(s)”	Disposal Agreement A, Disposal Agreement B, Disposal Agreement C and Disposal Agreement D
“Disposal Agreement A”	the conditional sale and purchase agreement dated 28 December 2016 in relation to the Disposal entered into between the Vendor, Purchaser A and the Company
“Disposal Agreement B”	the conditional sale and purchase agreement dated 30 December 2016 in relation to the Disposal entered into between the Vendor and Purchaser B
“Disposal Agreement C”	the conditional sale and purchase agreement dated 30 December 2016 in relation to the Disposal entered into between the Vendor and Purchaser C
“Disposal Agreement D”	the conditional sale and purchase agreement dated 30 December 2016 in relation to the Disposal entered into between the Vendor and Purchaser D
“EGM”	the extraordinary general meeting of the Company to be held to consider, among others, the resolution(s) in relation to the Disposal Agreements and all the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong from time to time
“Independent Valuer A”	the independent valuer to be appointed by Purchaser A
“Independent Valuer B”	the independent valuer to be jointly appointed by Purchaser B, Purchaser C and Purchaser D

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Purchaser(s)”	Purchaser A, Purchaser B, Purchaser C and Purchaser D
“Purchaser A”	內蒙古源恒投資有限公司 (Inner Mongolia Yuanheng Investment Co. Ltd.*), a state-owned enterprise incorporated in the PRC with limited liability
“Purchaser B”	呼和浩特經濟技術開發區投資開發集團有限責任公司 (Hohhot Economic and Technological Development Zone Investment and Development Group Co. Ltd.*), a state-owned enterprise incorporated in the PRC with limited liability
“Purchaser C”	呼和浩特惠則恒投資有限責任公司 (Hohhot Huizeheng Investment Co. Ltd.*), a state-owned enterprise incorporated in the PRC with limited liability
“Purchaser D”	德源興盛實業有限公司 (Deyuan Xingsheng Industrial Co. Ltd.*), a state-owned enterprise incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	the State Administration for Industry & Commerce of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China
“Sale Equity A”	25% equity interests of the Target Company
“Sale Equity B”	18% equity interests of the Target Company

“Sale Equity C”	18% equity interests of the Target Company
“Sale Equity D”	10% equity interests of the Target Company
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HKD0.2 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	內蒙古准興重載高速公路有限責任公司 (Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited*), a company incorporated in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Cheer Luck Technology Limited, a wholly-owned subsidiary of the Company
“Zhunxing Expressway”	a 265-kilometre heavyhaul toll expressway operated by the Target Company
“%”	per cent

For illustration purposes, the exchange rate of approximately RMB1 = HKD1.12 is used throughout this announcement. This exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or other rate at all.

By Order of the Board
China Resources and Transportation Group Limited
Cao Zhong
Chairman

Hong Kong, 9 January 2017

As at the date of this announcement, the board of directors of the Company comprises six executive Directors, namely Mr. Cao Zhong, Mr. Fung Tsun Pong, Mr. Duan Jingquan, Mr. Tsang Kam Ching, David, Mr. Gao Zhiping and Mr. Jiang Tao; a non-executive Director namely Mr. Suo Suo Stephen; and four independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli, Mr. Bao Liang Ming and Mr. Xue Baozhong.

* For identification purpose only